Annual Report

For the Year Ended December 31, 2003

Government Money Purchase Pension Plan

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Finance

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GOVERNMENT MONEY PURCHASE PENSION PLAN

TRUSTEE'S MESSAGE

I am pleased to present the first annual report of the Government Money Purchase Pension Plan (GMPP). The GMPP was established by the *Government Money Purchase Pension Plan Act* on April 1, 1989, to meet the pension needs for part time employees of Government and its agencies and full time employees of participating employers ineligible to participate in another government-sponsored plan.

Since its inception in 1989, the GMPP membership has grown to more than 20,000 members employed with 75 public sector employers. As of December 31, 2003, the accumulated GMPP fund amounted to $150.1 million. There was one new employer, with 13 employees who joined the plan during 2003.

The GMPP is a capital accumulation plan, that is, retirement benefits from the GMPP are directly related to the amount of contributions and the income earned on those contributions throughout a plan member's working life. Investment performance is critical to the retirement security of plan members. Investments in the portfolio comprise securities available through the various stock exchanges in Canada. Approximately 60% of the GMPP investment portfolio of $150 million is invested in market-based funds including a balanced fund of equities, bonds and short term investments; a separate bond fund; and an equity fund. These individual funds are managed by Phillips, Hager & North Investment Management Limited, a firm of investment professionals which specializes in managing investments for pension funds. The remainder of the portfolio is invested in Guaranteed Investment Certificates of the Canada Life Securities Corporation.

This annual report outlines the activity and the growth in assets and membership during 2003.

I am pleased to submit the 2003 Annual Report for your consideration.

Honourable Loyola Sullivan
Minister of Finance

GMPP Committee Members

Government and Employer Representatives:

John Bennett, Chairperson

Assistant Deputy Minister, Department of Finance

Noreen Holden, Vice Chairperson

Director, Human Resource Development and Services, Treasury Board Secretariat

Maureen McCarthy

Director, Pension Administration, Department of Finance

William Lee

Executive Director, Newfoundland and Labrador School Boards Association

Rick Hindy

Director of Finance, St. John's Nursing Home Board

Employee Representatives:

Bert Blundon

Board of Directors, Newfoundland and Labrador Association of Public and Private Employees

Perry Downey

Administrative Officer, Benefits & Economic Services, Newfoundland and Labrador Teachers' Association

Sharon King

Administration Director, Association of Allied Health Professionals of Newfoundland and Labrador

Alice Mannion

Labour Relations Officer, Newfoundland and Labrador Nurses' Union

Dave Reynolds

National Representative, Canadian Union of Public Employees

Secretary:

David Lidstone

Pension Program Training Officer, Department of Finance

Plan Advisors

Canada Life Securities Incorporated

Plan Administrator and Fund Custodian

Frank Russell Canada Limited

Pension Investment Consultant

Mercer Human Resource Consulting

Consulting Actuary

Phillips, Hager & North Investment Management Limited

Investment Manager

ANNUAL REPORT
GOVERNMENT MONEY PURCHASE PENSION PLAN
DECEMBER 31, 2003

The Government Money Purchase Pension Plan (GMPP) was created under the *Government Money Purchase Pension Plan Act* on April 1, 1989. The GMPP was established for part time employees of Government and its agencies and full time employees of participating employers ineligible to participate in another government sponsored plan, such as the Public Service and Teachers' Pension Plans. For example, full time employees of the many Group Homes funded by Government which are ineligible to join the Public Service Pension Plan are included in the GMPP.

ORGANIZATIONAL STRUCTURE

GMPP Committee

While all members of the GMPP Committee are appointed by the Lieutenant Governor in Council, employee representatives are appointed based on the recommendation of the various unions.

Plan Administrator and Custodian

The GMPP Committee has retained Canada Life Securities Inc. (Canada Life) to fulfill two very distinct roles as both the custodian and administrator of the GMPP. As custodian, Canada Life is responsible for custody of all financial assets the settlement of all investment transactions, ensuring that all investment income is collected and financial statements for all investment transactions are prepared.

As plan administrator, Canada Life is responsible for maintaining individual accounts for all members, ensuring contributions are properly allocated to each members' account and invested according to the member's instructions. Canada Life also keeps members informed of the status of their accounts through quarterly benefit statements.

Investment Consultant

The GMPP Committee retains an investment consultant, Frank Russell Canada Limited, an international company specializing in pension fund consulting. Russell assists the committee in the design, implementation, and ongoing evaluation of all aspects of the pension investment program. More specifically, this firm assists the committee in matters concerning fund governance, objective setting, asset allocation, investment strategy, manager structure, manager selection, and ongoing performance measurement and manager evaluation. Worldwide, Frank Russell Company provide investment consulting advice to two hundred clients that have combined assets under management in excess of $2.6 trillion.

Investment Manager

The various investment funds which are available to plan members are managed by Phillips, Hager & North Investment Management Limited (PH&N), a senior investment counselling firm retained by the Committee to manage all investment programs except Guaranteed Investment Certificates (GIC's). PH&N operates these member investment options under a mandate established by the Committee. It is the mandated long term investment performance objectives that the Committee uses to assess the performance of PH&N.

Actuarial Consultant

The GMPP Committee engages the services of Mercer Human Resource Consulting, an international actuarial and benefit consulting firm, on an "as needed" basis to provide advice on various pension issues relating to compliance with pension legislation and the *Income Tax Act*.

PLAN OVERVIEW

The GMPP is a defined contribution plan where members contribute 5% of their regular earnings to the plan which is matched by the employer. These funds are invested and accumulated during a plan member's working lifetime. At retirement the funds are used to purchase the pension benefits.

Employees are vested in the GMPP after two years participation. " Vesting" means that the employer contributions made on the member's behalf belong to the employee, even on termination, to provide a pension upon retirement.

Normal retirement age under the Plan is 65 years. However, members may retire and purchase a pension benefit as early as age 55 provided they have completed two years participation in the GMPP. As directed by the *Income Tax Act*, members must purchase a pension benefit prior to the end of the calendar year in which they reach age 69 or transfer their investments to an approved retirement vehicle.

Upon termination of employment, the member has several options with respect to their accumulated investments in the GMPP. As directed by the *Pension Benefits Act*, the Act that regulates all pension plans in the Province, if a terminating plan member is vested, the contributions, including the employer's share is locked-in. " Locked-in" means that those contributions must be used to provide a pension benefit that may be paid either from the GMPP at retirement age or from private arrangement, if the funds are transferred from the GMPP. The transfer options are described below.

If they are vested, but ineligible for a pension, they may either:

- leave their money in the Plan; or
- transfer their money to a Locked-in RRSP.

Once they are eligible to access these funds for pension purposes, members have the following options:

- transfer their money to a Locked-in Retirement Account (LIRA);
- transfer their money to a Locked-in Retirement Income Fund (LRIF);
- purchase an annuity.

A terminating member, who is not vested, may take a cash refund of their own contributions, net of income tax, or transfer the cash refund, on a tax effective basis, to an RRSP.

If a member has a spouse, the spouse is considered to be the member's beneficiary. A spouse is the person to whom the member is legally married, or if not married, is a person with whom the member is cohabiting as a spouse. A member who has no spouse may designate a beneficiary who would be entitled to the funds in the member's account.

INVESTMENTS

Plan Member Investment Options

Plan member investment options are based on the Plan's statement of Investment Policies and Procedures (SIP&P) which is established by the GMPP Committee in consultation with the Plan's advisor, Frank Russell Canada Limited. Investment options available to members include Guaranteed Investment Certificates (GICs) and market based funds, namely, an equity fund, a bond fund and a balanced fund.

Guaranteed Investment Certificates

Plan members may select GIC's of Canada Life for terms ranging from one to five years. At the end of each month, GIC's are purchased from accumulated contributions received from members. There is no minimum purchase amount and while contributions are accumulating they will earn interest at the Plan's one-year floating GIC rate unless certificates are purchased for the term selected. GICs are locked in until the end of the chosen term.

PH&N Canadian Equity Fund

The objective of this Fund is to provide significant long-term capital growth by investing in a well-diversified portfolio of Canadian common stocks. The principal risk associated with an investment in this Fund is market risk. Because of the volatility of stock markets, returns on equity investments can vary greatly from year to year.

Both PH&N and the Committee have agreed that the Fund is expected to outperform the Standard and Poors/Toronto Stock Exchange Composite Index (TSX) over a four-year market cycle. For the four year period ending December 31, 2003, the Canadian Equity Fund had an annualized rate of return of 7.3% as compared to the TSX return of 1.0%. Over the period PH&N has exceeded its benchmark return by 6.3%.

PH&N Bond Fund

The objective of this Fund is to provide high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed income securities comprised of debentures issued by Canadian governments and crown corporations, and bonds of various companies. The principal risk associated with an investment in this Fund is interest rate risk, as fixed income security values tend to fall as interest rates rise, and increase when interest rates decline.

The PH&N mandate states that the Fund should outperform the Scotia Capital Universe Bond Index over a four-year market cycle. For the four year period ending December 31, 2003, the Bond Fund had an annualized return of 9.0% as compared to a benchmark return of 8.4%. Over the period, PH&N has exceeded its benchmark by 0.6%.

PH&N Balanced Pension Trust Fund

The objective of this Fund is to provide long term capital growth and interest income by investing in a well-diversified balanced portfolio of Canadian and foreign common stocks, bonds and money market securities.

Over a four-year market cycle, the PH&N mandate calls for the Balanced Fund to outperform a Composite Index constructed as follows:

35% Standard and Poors/Toronto Stock Exchange Composite Index (S&P/TSX)
25% Morgan Stanley Capital International World Index * (MSCI World ex Canada)
35% Scotia Capital Universe Bond Index (SCU)
5% Scotia Capital 30 day T-Bill Index (SC 30 day TB)

* Investments in U.S. and Non North American Markets.

The asset mix of the Balanced Fund is established within the following ranges:

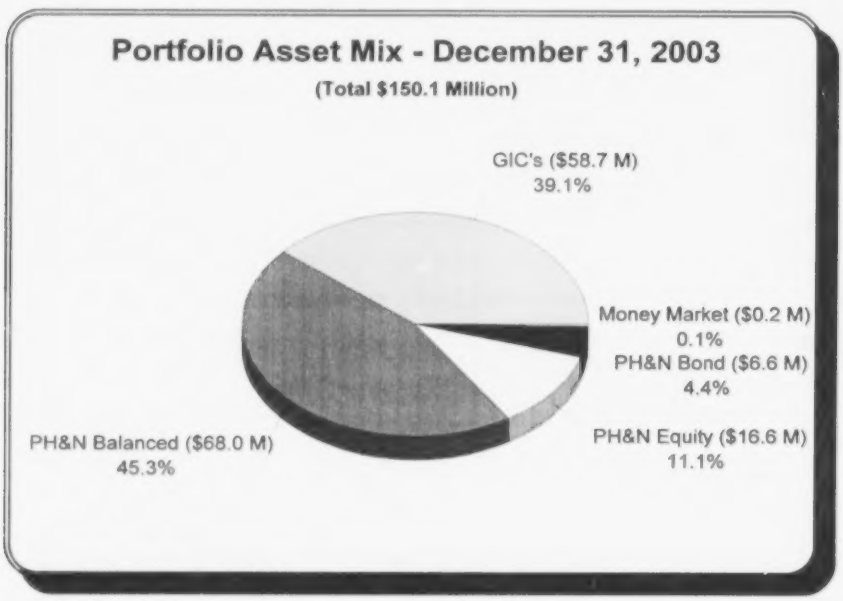
Asset Class	Percentage of Portfolio
Canadian Equities	30% - 40%
U.S. and Non North American Equities	20% - 30%
Bonds	30% - 40%
Cash	0% - 15%

For the four years ended December 31, 2003, the Balanced Fund had an annualized rate of return of 3.6% as compared to the return based on the Composite Index of 1.9%. Effectively, PH&N has outperformed the benchmark by 1.7%

Investment Selection

The financial security of plan members depends, in large measure, on a member's investment decision, which, in turn, depends on a member's investment profile. A member's investment profile is a function of many factors, including length of time to retirement and the level of risk a member is willing to accept. It is critical that members take an active interest in their portfolio and make asset allocation decisions suited to their risk tolerance and retirement expectations. Canada Life, as the Plan administrator, can provide members with the necessary tools to determine their investment profile including investing software, an investing workbook and an investor guide. As well, members can avail of a 1 800 number and speak directly with professionally trained staff.

Based on the asset decisions of plan members, the asset mix of the portfolio as of December 31, 2003 is illustrated in the following chart:



Investment Performance as of December 31, 2003

The following table details the performance of the GMPP to December 31, 2003:

Government Money Purchase Pension Plan (GMPP) Fund Performance Rates of Return (%) as at December 31, 2003 with Benchmark comparisons					
Fund	**3 mo**	**1 yr**	**3 yr**	**4 yr**	**5 yr**
Balanced Fund	6.8	14.4	1.1	3.6	5.0
Benchmark	*6.6*	*14.0*	*0.6*	*1.9*	*4.2*
Bond Fund	1.0	7.3	8.2	9.0	7.1
Benchmark	*0.9*	*6.7*	*7.8*	*8.4*	*6.4*
Equity Fund	10.4	26.8	2.8	7.3	10.1
Benchmark	*11.3*	*26.7*	*-1.0*	*1.0*	*6.5*

For the 5 year period, ending December 2003, the Balanced Fund averaged 5.0% per year; the Bond Fund averaged 7.1%; and the Equity Fund averaged 10.1%. All three Funds exceeded their respective benchmarks.

FINANCIAL HIGHLIGHTS

Employee contributions for the year totalled $8.5 million of which only $87 thousand were Additional Voluntary Contributions (AVC's). Plan members may deposit additional funds to the plan, subject to RRSP limitations under the *Income Tax Act*. These AVC's are not matched by the employer. Employer contributions for the year totalled $8.5 million and investment income was $3.2 million. The following table shows the flow of funds.

Statement of Changes in Assets for the Year Ended December 31, 2003

(With comparative numbers for 2002)

(Market Value)

	2003	***2002***
	(Millions)	
Opening Balance, January 1	**$128.9**	**$124.6**
Contributions to the Plan	17.0	16.4
Investment Income	3.2	3.4
Total Additions	**20.1**	**19.8**
Refunds to Terminating Plan Members	8.9	7.4
Administration Costs	0.6	0.6
Total Deductions	**9.5**	**8.0**
Current Period Change in Market Value of Investments	10.5	-7.5
Market Value, December 31	**$150.1**	**$128.9**

Notes:

Administration Costs

Administration costs include the following:

	2003	***2002***
Canada Life: Monthly record keeping cost ($2 per member account per month)	$559,200	$554,500
Frank Russell Canada Limited	14,000	14,400
Total Administration Costs	$573,200	$568,900

Since the inception of the GMPP in 1989, monthly administration costs have been paid from employer contributions that are forfeited when members who are not vested terminate from the plan and take a refund of their contributions. Due to changes to the *Pension Benefits Act* in 1997 which reduced vesting in the GMPP from 5 years to 2 years, additions to the forfeitures account have declined significantly. The balance in the forfeitures account was $221,600 as of December 31, 2003.

The GMPP Committee has been exploring alternatives for paying the plan administration costs. Under the Canada Life arrangement, administration costs are $2 per month per member, regardless of account size. Total account administration costs for 2003 were $559,200.

Investment Management Fees

Investment management fees charged by PH&N, which are based on the total plan assets under management, are paid from investment earnings prior to those earnings being credited to each member's account. For the year 2003, these fees amounted to $154,251 as compared to $142,377 paid in 2002. These fees do not form part of the GMPP administration costs as they are paid from the investments of each plan member.

PLAN ADMINISTRATION

Membership Status

Plan membership has increased from 21,578 accounts in 2002 to 22,423 accounts in 2003. The number of accounts includes both active participants and terminated employees who have left their funds on deposit with Canada Life. During 2003, an effort was made to contact many of these account holders to advise them of their transfer options. As well, in an effort to reduce account administration costs, small accounts (i.e., those with balances less than $50) were transferred to a holding account with Canada Life and continue to be invested in GICs. The following table details the change in membership from 2002 to 2003.

Membership Summary - 2003

(With comparison for 2002)

		2003	2002
Opening Balance, January 1		21,578	20,810
Additions			
Enrolments during the year		2,257	2,791
Less			
Exits:	Terminations	1,395	2,013
	Death Benefits	15	8
	Retirements	2	2
	Total	1,412	2,023
Membership, December 31		22,423	21,578

Portability Arrangements

There is provision for members to transfer benefits between the GMPP and the following pension plans:

- Public Service Pension Plan
- Teachers' Pension Plan
- Uniformed Services Pension Plan
- Members of the House of Assembly Pension Plan

Participating Employers

A detailed list of participating employers can be found in the Appendix.

2004 - THE YEAR AHEAD

Member Education

The primary focus for 2004 will be plan member communication and education. As evidenced by the high percentage of investments in the Balanced Funds and GIC's, many plan members are reluctant to make active investment decisions with respect to their accumulated funds. If plan members do not direct their funds to specific investment options, their contributions are directed to GIC's and the matching employers' contributions to the Balanced Fund.

In order to encourage plan members to take a more active interest in the GMPP, officials of the Department of Finance and Canada Life will be offering seminars to all plan members that will focus on educating members on the importance of investment selection. These sessions will be scheduled for the Fall of 2004.

SUBSEQUENT EVENTS

Great West Life Acquisition of Canada Life Securities Incorporated

In July, 2003, Great West Life purchased Canada Life Securities Incorporated. Effective January 1, 2004, the GMPP moved from the Canada Life Administrative Services to the newly formed Group Retirement Services (GRS), which encompasses the group pensions operations of Canada Life, London Life and Great West Life.

Under the new arrangements, administration costs will be based on the value of securities each member holds in market based funds, i.e., those funds invested in the PH&N funds. The costs, on an annual basis, will be 0.6% of total market based funds in each member's account. Based on the 2003 value of market based assets, the annual cost will be approximately $525,000 and will increase as the value of the investments in the market based funds grows.

The GMPP Committee will be doing a full review of the standards and performance of GRS in 2004.

Participating Employers

Agnes Pratt Home

Aramark Canada Limited (Versa Services Limited)

Association of Registered Nurses of Newfoundland and Labrador

Avalon West School Board

Avalon Health Care Institutions Board

Avalon East School Board

Baie Verte/Central/Connaigre School Board

Bay St. George Employment Corporation

Bay St. George Residential Support Board

Bill & Paul's Community Living Limited

Bridges Employment Corporation

Burin/Marystown Community Training & Employment Board

Burin Peninsula Health Care Board

Burin Peninsula School Board

C.A . Pippy Park Commission

Calypso Foundation

Canada Newfoundland Labrador Offshore Petroleum Board

Central East Health Care Institutions Board

Central West Health Care Institutions Board

Vista School Board

College of the North Atlantic

Committee on Family Violence

Conseil Scolarie Francophone

Corner Brook/Deer Lake/St. Barbe School Board

Daybreak Parent/Child Centre

Department of Education

Eastern Residential Support Board

Eastern Newfoundland Regional Community Health Care Board

Exploits Community Employment Corporation

Family Crisis Shelter

Farmdale Home Inc.

Gander Regional Youth Assess.

Genesis Employment Corporation

Government Departments/Central Payroll

Grenfell Regional Health Services

Health Care Corporation of St. John's

Health Labrador Corporation

Health & Community Services - Central

Health & Community Services -St. John's

Health Homes Corporation

Hoyles Escasoni Complex

Iris Kirby House Inc.

Labrador School Board

Lewisporte/Gander School Board

Libra House

Marriott Corporation of Canada

Masonic Park Nursing Home

Municipal Assessment Agency Inc.

Newfoundland & Labrador Housing Corporation

Newfoundland Cancer Treatment and Research Foundation

Newfoundland & Labrador Health Board Association

Newfoundland Liquor Corporation

Newfoundland & Labrador Hydro

Newfoundland & Labrador Co-ordinating Council on Deafness

Newfoundland & Labrador Petroleum

Northern Peninsula/Labrador South School Board

Nova Services Limited

Peninsulas Health Care Corporation

Pentecostal Senior Citizens Home

Port aux Basques Community Employment Corporation

Provincial Information & Library Resources Board

Schooner Regional Development Corporation

St. Francis Foundation

St. John's Nursing Home Board

St. Luke's Home

St. Patrick's Mercy Home

Cormack Trail School Board

T. J. McDonald Achievement Home

The John Howard Society

The Salvation Army Glenbrook Lodge for Senior Citizens

The Salvation Army Wiseman Centre

The Corner Brook Residential Support Board

Trinity-Conception Community Employment Corporation Inc.

Vera Perlin Society

Western Health Care Corporation

Workplace, Health & Safety Compensation Commission